

Message Text

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ACTION XMB-04

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PASS EXIMBANK

E.O. 11652: N/A
TAGS: EGEN, PO, YO, EFIN
SUBJECT: EXIMBANK: POLISH CREDITS FOR SBR PLANT AT SISAK

REF: STATE 034061

1. CONGEN OFFICER DISCUSSED SISAK PROJECT WITH OFFICIAL OF INA-COMMERCE WHO HAD RETURNED SEVERAL DAYS AGO FROM POLAND WHERE HE CONDUCTED NEGOTIATIONS WITH POLIMEX ON THIS PROJECT. FOLLOWING RESPONSES TO EXIMBANK INQUIRIES OBTAINED.

2. POLISH/YUGOSLAV HARD CURRENCY CLEARING ARRANGEMENT EXISTS UNDER WHICH TWO SIDES AGREE TO ATTEMPT TO BALANCE TRADE AS CLOSELY AS POSSIBLE. WE HAVE NOT DETERMINED WHETHER SETTLEMENT IN HARD CURRENCY IS MADE PERIODICALLY. ADVANTAGE TO A YUGOSLAV FIRM SUCH AS INA IN ATTEMPTING TO MAKE AN ARRANGEMENT WITH POLAND LIES IN FACT THAT FOREIGN EXCHANGE QUOTA NOT NECESSARY FOR PURCHASE TO BE COVERED BY THIS ARRANGEMENT. SINCE INA ALONE HAS PLANS FOR CAPITAL EXPANSION WHICH COULD CONSUME ENTIRE FOREIGN EXCHANGE AL-

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LOCATION EXPECTED FOR ALL OF CROATIA, IT IS IMPORTANT THAT INA SEEK TO UTILIZE SUCH AN AGREEMENT WITH POLAND IF POSSIBLE.

3. IF INA CONCLUDES THIS PROJECT WITH POLIMEX, 100 PERCENT COUNTERPURCHASE WOULD BE MADE. PRICES ON SBR PLANT ARE NOT YET FIRM SO IT IS NOT POSSIBLE TO STATE AT THIS POINT WHETHER SHIP PURCHASES WOULD EXACTLY BALANCE. IF SHIPS WOULD BE LESS THAN

VALUE OF SBR PLANT, POLES WOULD PURCHASE OTHER ITEMS FROM YUGO-SLAV METAL WORKING INDUSTRY TO BALANCE TRADE ON THIS DEAL.

4. CONSTRUCTION SCHEDULES FOR SBR PLANT AND SHIPS WOULD BE APPROXIMATELY EQUAL. OFFICIAL NOTED THAT ON LENDAVA REFINERY WHICH INA IS EXPANDING IN SLOVENIA, POLES ARE SUPPLYING EQUIPMENT AND TECHNOLOGY, AND YUGOSLAVS SUPPLY SHIPS. CONSTRUCTION WILL PROCEED IN PARALLEL AND BOTH SHIPS AND REFINERY SHOULD BE COMPLETED AT SAME POINT. CONTRACT HAS NOT BEEN CONCLUDED YET ON SHIPS BUT SINCE THEIR CONSTRUCTION PERIOD IS SHORTER THAN REFINERY, BOTH ITEMS SHOULD BE COMPLETED AT SAME TIME.

5. POLES AND YUGOSLAVS WOULD EXTEND CREDITS ON THESE PROJECTS WITH TERMS AND RATES COMPARABLE TO WESTERN EUROPEAN FINANCING ON SIMILAR PROJECTS. JADRANBOD (ASSOCIATION OF YUGOSLAV SHIP BUILDERS) AND POLIMEX WOULD ARRANGE CREDITS.

6. INA-COMMERCE OFFICIAL STATED THAT IT SEEMS UNLIKELY THAT INA WILL BE ABLE TO MAKE AN ARRANGEMENT DIRECTLY WITH BADGER-GOODRICH OR LURGI GROUP IN VIEW OF NEED FOR EXCHANGE QUOTA WHICH DEAL THROUGH POLAND WOULD ELIMINATE. SOME TYPE OF ARRANGEMENT WITH POLES APPEARS NECESSARY, ALTHOUGH THERE IS THE POSSIBILITY OF AN ARRANGEMENT UNDER WHICH INA COULD IMPORT SOME ITEMS DIRECTLY. FOR EXAMPLE, YUGOSLAVS COULD CONTRACT IN WEST FOR IMPORTED EQUIPMENT AND POLES COULD ARRANGE FOR PURCHASE OF TECHNOLOGY. OFFICIAL NOTED THAT ON DOLS 32 MILLION EXPANSION OF LENDAVA REFINERY, POLES LIMITED OFFICIAL USE

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WILL FURNISH DOLS 19 MILLION IN SERVICES AND EQUIPMENT WHILE ITALIANS WILL SUPPLY DOLS 12 MILLION WORTH OF EQUIPMENT. ITALIAN EXPORT CREDIT AGENCY HAS MADE CREDIT DIRECTLY TO POLES ON THIS ARRANGEMENT, AND WILL BE REPAID BY POLES. THIS EXAMPLE CITED AS ILLUSTRATION OF APPROACH WHICH INA HOPES EXIM MAY TAKE.

7. OFFICIAL NOTED THAT GOODRICH NEGOTIATORS WILL BE IN ZAGREB MARCH 3 FOR CONTINUED DISCUSSIONS ON THIS PROJECT. INA HOPES THAT POLES WILL HAVE SOME INDICATION OF PROBABLE EXIMBANK ATTITUDE BY THAT DATE.

8. FOR EXIMBANK: PLEASE CONTACT GOODRICH AND REQUEST THAT THEIR NEGOTIATORS CONTACT CONGEN DURING STAY IN ZAGREB. KAISER

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